



# AGENCIES OF THE SECRETARY OF TRANSPORTATION

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2016

Auditor of Public Accounts  
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# Report Highlights

## Audit of the Agencies of the Secretary of Transportation – For the Year Ending June 30, 2016

December 2016

### Summary of Audit Results

During our audit, we found the following:

- Proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System, Cardinal, each agency's accounting records, and in other information reported to Accounts;
- One matter that we consider to be **material weakness** in internal controls;
- Eleven additional matters that we consider to be **significant deficiencies** in internal control;
- One matter that we consider to be a deficiency in internal control; and
- Instances of noncompliance with applicable laws and regulations that are required to be reported under Government Auditing Standards.

### Summary of Selected Issues and Recommendations

[1] finding related to the internal controls surrounding the financial reporting process which we consider to be material weakness. The **Department of Motor Vehicles (Motor Vehicles)** should allocate resources to gain a better understanding of Commonwealth financial reporting requirements and should ensure that individuals responsible for financial reporting are knowledgeable about reporting requirements as well as generally accepted accounting principles.

[1] risk alert related to the Commonwealth of Virginia's information technology infrastructure and its reliance upon **the Commonwealth's Information Technology Infrastructure Partnership with Northrop Grumman (Partnership)**. The Partnership is responsible for maintaining and administering 41 server operating systems for the **Department of Transportation (Transportation)** that their respective vendors have ceased supporting. Transportation should continue working with the Partnership to upgrade or decommission all of the end-of life server operating systems as soon as possible.

[9] findings related to the general controls around **Information Systems**. These findings are related to information system management not ensuring compliance to the **Commonwealth's Security Standard**. These findings should be of concern to the Virginia Information Technologies Agency (VITA) and the Department of Accounts, as they are responsible for issuing guidance in these areas. Many of the affected systems provide financial information that is reported in the Commonwealth's CAFR issued by the Comptroller.

[3] findings related to internal controls and compliance with **Internal and Commonwealth Policies and Procedures**. These findings cite **specific exceptions** with the applicable policies and procedures and prove recommendations for remediation to reduce risk. These issues may require additional resources and supervision in order to correct; and therefore, should be monitored by management.

### Why the APA Audits These Two Agencies Every Year

Collectively the following two agencies spent \$5.6 billion, or 88%, of the total funds expended by the **Agencies under the Secretary of Transportation**:

- Department of Transportation
- Department of Motor Vehicles

As a result, these two agencies are material to the **Comprehensive Annual Financial Report (CAFR)** of the Commonwealth. Therefore, we are required to audit their financial activities in support of our audit opinion on the CAFR. Additionally, the federal government required us to audit one federally supported program for compliance in fiscal year 2016. We reviewed the controls and audited compliance for this program in support of the **Commonwealth's Single Audit**.



See the full report at  
[www.apa.virginia.gov](http://www.apa.virginia.gov)

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## **–TABLE OF CONTENTS–**

	<u>Pages</u>
EXECUTIVE SUMMARY	
COLLECTIONS AND EXPENDITURES	1-2
RISK ALERT – FOR DEPARTMENT OF TRANSPORTATION	2-3
AUDIT FINDINGS AND RECOMMENDATIONS	
Department of Motor Vehicles	4-11
Department of Transportation	12-16
INDEPENDENT AUDITOR’S REPORT	17-20
AGENCY RESPONSES	
Department of Motor Vehicles	21-25
Department of Transportation	26-28
AGENCY OFFICIALS	29
APPENDIX A: Summary of Financial Information – Sources and Uses	30

### Why the APA Audits the Departments of Transportation and Motor Vehicles

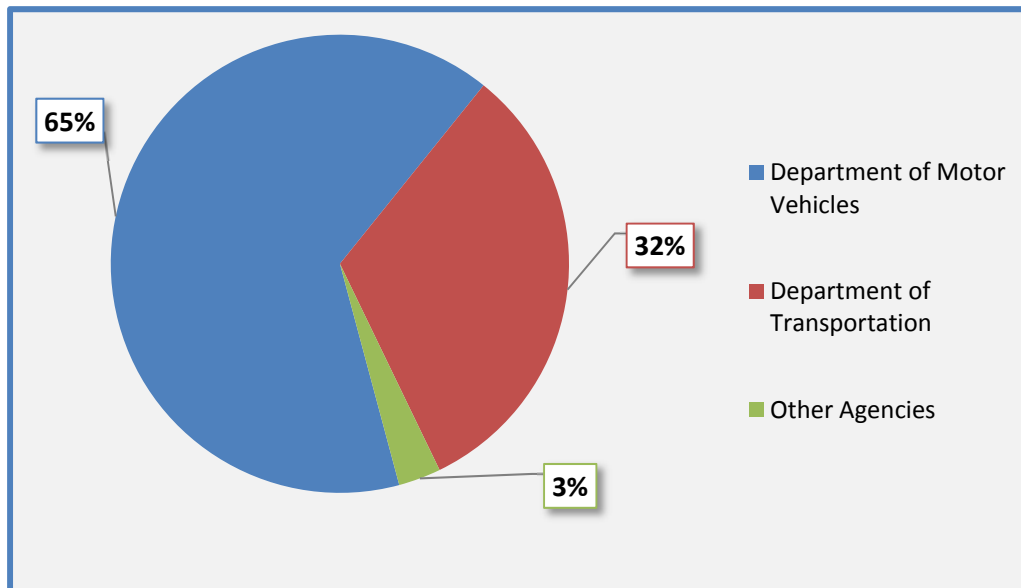
Collectively, the Departments of Transportation and Motor Vehicles spent \$5.6 billion, or 88 percent, of the total funds expended by the agencies under the Secretary of Transportation during fiscal year 2016. As illustrated in the charts below, the Department of Motor Vehicles collects most of the revenues within the Secretariat and the Department of Transportation incurs most of the expenditures within the Secretariat.

As a result, these two agencies are material to the Commonwealth's Comprehensive Annual Financial Report (CAFR). Therefore, we are required to audit their financial activities in support of our audit opinion on the CAFR. Our audit of the 2016 financial activity yielded the risk alert and findings below. Appendix A provides details on the sources and uses of funds for all agencies under the Secretary of Transportation.

### COLLECTIONS AND EXPENDITURES

#### Agencies of the Secretary of Transportation – 2016 Collections

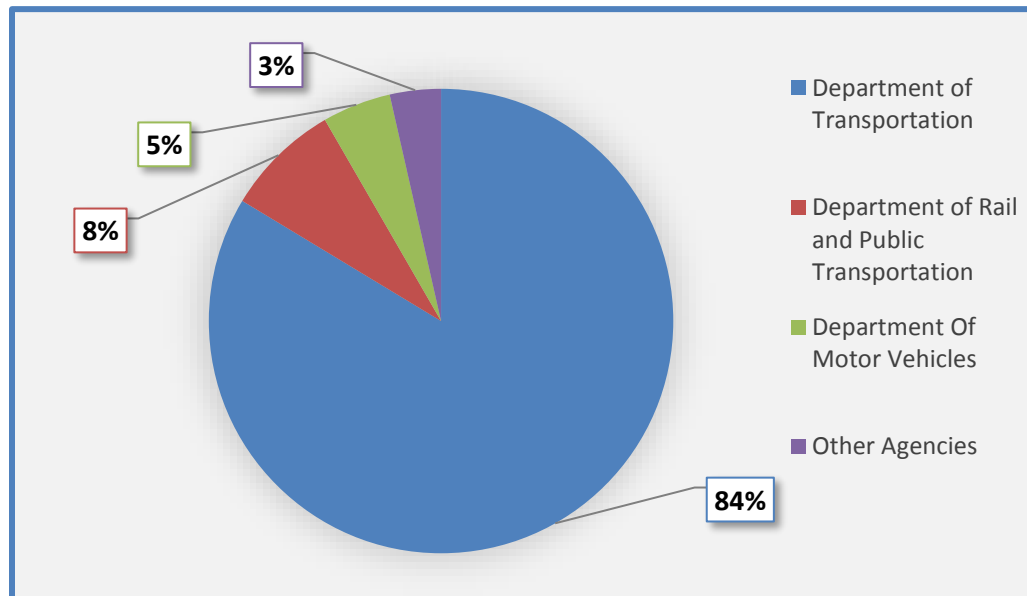
Chart 1



Source: Commonwealth Accounting and Reporting System

## Agencies of the Secretary of Transportation – 2016 Expenditures

Chart 2



Source: Commonwealth Accounting and Reporting System

## RISK ALERT – FOR THE DEPARTMENT OF TRANSPORTATION

**A Risk Alert differs from an audit finding in that it represents an issue that is beyond the corrective action of the individual agency and requires the cooperation of others to address the risk.**

### *Continue to Upgrade or Decommission End-of-Life Server Operating Systems Partial Repeat*

The Commonwealth's IT Infrastructure Partnership with Northrop Grumman (Partnership) provides agencies with installation, maintenance, operation, and support of IT infrastructure components, such as server operating systems, routers, firewalls, and virtual private networks. During our review, we found that the Partnership is not maintaining some of these devices according to the Commonwealth's Security Standard and is exposing the Commonwealth's sensitive data to unnecessary risk.

The Partnership uses end-of-life and unsupported server operating systems in its IT environment to support some of the Virginia Department of Transportation's (Transportation) mission critical functions. Transportation relies on the Partnership to provide current, supported, and updated server operating systems that serve as the foundations for its mission critical and sensitive systems.

The Security Standard, Section SI-2-COV, prohibits the use of products designated as "end-of-life" by the vendor. A product that has reached its end-of-life no longer receives critical security updates that rectify known vulnerabilities that can be exploited by malicious parties.

The Partnership maintains and administers 41 server operating systems for Transportation that are officially designated as end-of-life per the vendor. The Partnership's use of unsupported server operating systems increases the risk that existing vulnerabilities will persist in the server operating systems without the potential for patching or adequate mitigation. These unpatched vulnerabilities increase the risk of cyberattack, exploitation, and data breach by malicious parties. Additionally, vendors do not offer operational and technical support for server operating systems designated as end-of-life, which increases the difficulty of restoring system functionality if a technical failure occurs.

Transportation has made significant progress in remediating the end-of-life operating servers that exist in their environment. Enhanced server operating system security and managed firewalls have been implemented where necessary and a security exception is on file with the Virginia Information Technologies Agency that is valid until December 15, 2016. All 41 end-of-life servers that still exist in Transportation's environment have remediation plans that are underway. Transportation tracks their status on a weekly basis to ensure progress is being made. Transportation plans to remediate all end-of-life operating servers by the end of 2016.

Transportation should continue working with the Partnership to upgrade or decommission all of the end-of life server operating systems as soon as possible. Doing this will further reduce the risk to the confidentiality, integrity, and availability of sensitive Commonwealth data and achieve compliance with the Security Standard.

## AUDIT FINDINGS AND RECOMMENDATIONS

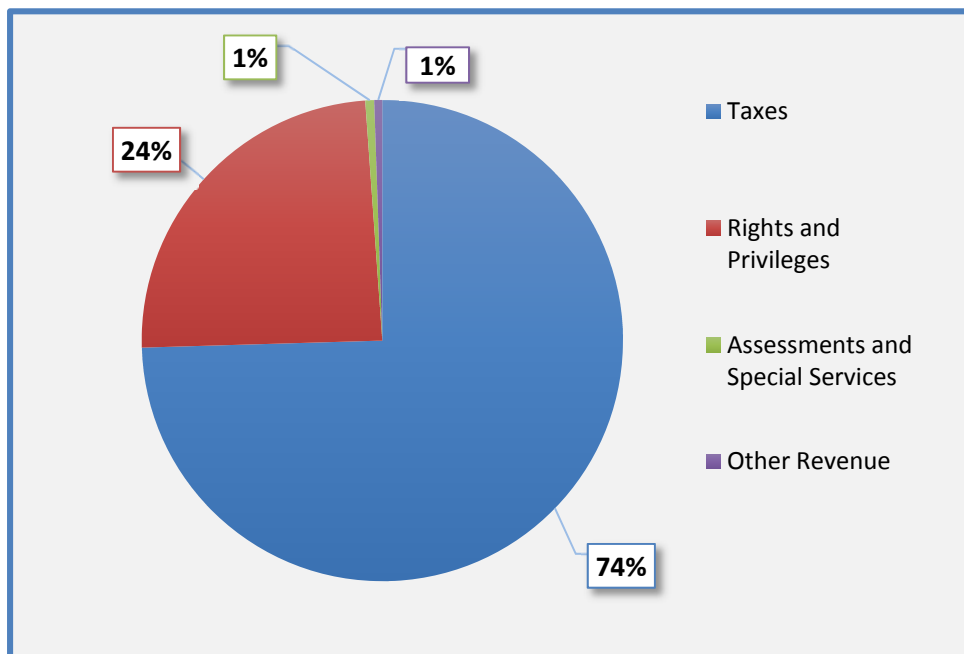
### Department of Motor Vehicles

#### Why the APA Audits Financial Reporting

Motor Vehicles collected over \$2.6 billion in various taxes and fees including, but not limited to, motor vehicle sales and use tax, vehicle registrations, fuels tax, fishing licenses, and birth certificates. As such, Motor Vehicles is individually material to the CAFR. We have audited the receipt of these funds and Motor Vehicle's financial reporting. Subsequently, our testwork resulted in the following recommendation to management.

Department of Motor Vehicles – 2016 Collections

Chart 3



Source: Commonwealth Accounting and Reporting System

#### *Improve Controls over Financial Reporting* *Material Weakness*

The Department of Motor Vehicles (Motor Vehicles) does not have sufficient internal controls over its financial reporting process. We identified significant misstatements in the recording of payables and unaudited financial submissions to the Department of Accounts (Accounts). Accounts uses these submissions to compile and create the Commonwealth's Comprehensive Annual Financial Report. These misstatements resulted in material audit adjustments; therefore, we consider this

issue to be a material weakness in internal control.

The misstatements included errors in current year activity as well as prior year activity. If left uncorrected, these errors could lead to a misleading picture of the Commonwealth's available financial resources. Specifically, the errors included:

- Payments of approximately \$9 million in early fiscal 2017 were not properly recorded as payables for fiscal 2016. This omission resulted from confusion regarding the Commonwealth's newly implemented accounting system as well as historically not recording refund transactions as payables.
- Advance payments for motor vehicle license fees of approximately \$59 million were recorded as current year revenue instead of being properly recorded as a liability. This practice has been ongoing for several years; therefore, this led to an overstatement of beginning fund balance as well as a current year adjustment to revenues and liabilities.
- Errors were also noted in capital assets and contractual commitments submissions. These errors resulted from a lack of understanding of the Commonwealth's financial guidance.

Office of the Comptroller Directive No. 1-16 issued by Accounts states that all information in a submission to Accounts needs be reviewed, certified as complete and accurate, and must be prepared in accordance with generally accepted accounting principles. This guidance also defines payables and the need for correct recording of payables in the Commonwealth's accounting system.

Motor Vehicles' Financial Management Division should allocate resources to gain a better understanding of Commonwealth financial reporting requirements and should ensure that individuals responsible for financial reporting are knowledgeable about reporting requirements as well as generally accepted accounting principles. In addition, the Financial Management Division should work with Accounts to evaluate the current accounting practices and ensure that the practices are in line with generally accepting accounting principles and the Commonwealth's guidance.

#### Why the APA Audits Information System Security

Motor Vehicles collects, manages, and stores significant volumes of financial and personal data within its mission critical systems. Because of the highly critical nature of this data, Motor Vehicle's management must take all necessary precautions to ensure the availability, integrity, and security of the data within its systems. We compared Motor Vehicle's practices to those required by the Commonwealth's Information Security Standard in the areas of database security, web application security, oversight of sensitive systems, and information system access. Subsequently, our information system security testwork resulted in the following six recommendations to management.



*Continue to Improve Database and Application Baseline Security Configurations*  
*Repeat, Significant Deficiency*

Motor Vehicles continues to improve and implement its application and database baseline security configurations for two of its mission critical and sensitive systems. Motor Vehicles has made efforts to document and implement baselines since the prior year, but due to implications from system testing, the estimated implementation has been delayed to October 2017 from the original estimated completion date of September 2016.

A baseline configuration ensures that minimum security and hardening requirements are implemented before going into production, or after significant system upgrades occur. The details of the sensitive systems affected by this control weakness have been communicated to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under Section 2.2-3705.2 of the Code of Virginia due to its sensitivity.

The Commonwealth's Information Security Standard (Security Standard), Section CM-2, requires agencies to develop, document, and maintain a current baseline configuration of the information system. Without an established baseline configuration, Motor Vehicles increases the risk that minimum security requirements are not implemented for its mission critical and sensitive systems as the systems are maintained, upgraded, or replaced.

Motor Vehicles should continue dedicating the necessary resources to document and implement appropriate baseline security configuration requirements as discussed in the communication marked FOIAE to meet, at a minimum, the requirements in the Security Standard and industry best practices.

*Continue to Improve IT Risk and Continuity Management Program*  
*Repeat, Significant Deficiency*

Motor Vehicles continues to address deficiencies in its Information Technology (IT) Risk and Continuity Management Program in accordance with the Security Standard. Motor Vehicles is in the process of updating its IT Risk and Continuity Management Program documentation, but it remains inconsistent. The details of these control weaknesses have been communicated to management in a separate document marked FOIAE under Section 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

The Security Standard requires agencies to ensure the IT information documented in the IT Risk and Continuity Management Program is consistent. By not consistently documenting the IT information, Motor Vehicles increases the risk for mission essential functions, primary business functions, and supporting IT systems to not be recovered in a timely manner in the event they become unavailable.

Since the prior year audit, Motor Vehicles has worked with an external vendor to complete the IT Risk and Continuity Management Program to align with current business needs. However, due

to timing, Motor Vehicles has not yet completed updating the Continuity Plan and Disaster Recovery Plan documents to reflect the updated information in the Risk Management documentation. Motor Vehicles expects to complete the IT Risk and Continuity Management Program by January 2017, which is an extension from the original estimated completion date of August 2016.

Motor Vehicles should continue collaborating with the external vendor to complete its IT Risk and Continuity Management Program as discussed in the communication marked FOIAE to reflect the Risk Management documentation to ensure the documents consistently reflect Motor Vehicles' business and IT environments.

*Continue to Improve IT Software Maintenance and Management Controls  
Repeat, Significant Deficiency*

Motor Vehicles is continuing its efforts to upgrade the IT software that supports critical business processes within the IT environment. Since the prior year audit, Motor Vehicles has made efforts to upgrade the end-of-life (EOL) IT software as well as other applications and middleware to current releases. Motor Vehicles expects this effort to be completed by November 2017, which deviates from the original estimated completion date of July 2016 due to delays in receiving new hardware from its service provider.

Retired and unsupported software no longer receive updates and patches to remedy recently discovered vulnerabilities. The details of these control weaknesses have been communicated to management in a separate document marked FOIAE under Section 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

The Security Standard, Section SI-2-COV, requires that organizations prohibit the use of products designated as EOL by the vendor or publisher. Also, Section SA-22 requires organizations to replace information system components when support for the components is no longer available from the vendor.

Motor Vehicles' use of non-vendor supported IT software increases the risk that existing vulnerabilities will persist in the related systems without the potential for patching or mitigation. These unpatched vulnerabilities increase the risk of cyberattack, exploitation, and data breach by malicious parties. Additionally, vendors do not offer operational and technical support for IT software designated as EOL, which increases the difficulty of restoring system functionality if a technical failure occurs.

Motor Vehicles should continue its efforts to migrate from the unsupported IT software as discussed in the communication marked FOIAE to meet, at a minimum, the requirements in the Security Standard and industry best practices. Also, Motor Vehicles should develop a formal process to ensure IT software supporting critical business processes is upgraded prior to reaching EOL as designated by the vendor.

### *Improve Application Security Controls Partial Repeat, Significant Deficiency*

Motor Vehicles does not have certain security controls implemented to protect one of its mission critical and sensitive systems. The details of these control weaknesses have been communicated to management in a separate document marked FOIAE under Section 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

The Security Standard requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability. By not implementing the controls discussed in the FOIAE communication, the system is not secure against known vulnerabilities. This increases the risk for sensitive Commonwealth data to be compromised by malicious users exploiting those vulnerabilities.

Due to project prioritization and resources dedicated to other efforts to resolve weaknesses, efforts to improve application security controls have been delayed from its original estimated completion date of September 30, 2016. Also, Motor Vehicles has not determined an updated estimated completion date to resolve the weaknesses identified in the communication marked FOIAE as they are currently evaluating the necessary controls needed to mitigate the risks. To date, Motor Vehicles has not submitted an exception request to the Commonwealth's Chief Information Security Officer for the absent security controls until a solution can be implemented.

Motor Vehicles should dedicate the necessary resources to improve the controls discussed in the communication marked FOIAE to meet, at a minimum, the requirements in the Security Standard and industry best practices.

### *Improve Data Backup and Restoration Procedures Significant Deficiency*

Motor Vehicles does not have consistent data backup and restoration procedures that meet the minimum requirements of the Security Standard. Backup and restoration procedures ensure that Motor Vehicles is able to restore critical business processes in the event IT systems become unavailable. Specifically, Motor Vehicles needs to improve the following data backup and restoration controls:

- Motor Vehicles' Business Impact Analysis (BIA) states that 14 out of 25 sensitive systems must have a recovery point objective of less than 24 hours; however, Motor Vehicles' relies on the backup procedures performed by the Virginia Information Technologies Agency and Northrop Grumman Partnership, which only guarantees a 24-hour recovery point objective. Section CP-9 of the Security Standard requires agencies to develop backup and restoration schedules consistent with the recovery time objectives and recovery point objectives for each system.

- Motor Vehicles' system backup schedules are not approved by the system owner as required by the Security Standard, Section CP-9-COV. These approvals are necessary to ensure business functions can be restored in a reasonable timeframe based on the recovery time objectives and recovery point objectives information outlined in the agency's BIA.
- Motor Vehicles does not have a formal process implemented to ensure data and backup media are retained in accordance with requirements Motor Vehicles established with the Library of Virginia. The Security Standard, Section CP-9-COV, requires the agency to develop and implement plans for the retention of the data handled by an IT system in accordance with the agency's records retention policy.

The identified weaknesses increase the risk that Motor Vehicles will not be able to effectively restore their system data for sensitive systems in the event of an outage. This risk could negatively impact Motor Vehicles' ability to perform its mission essential functions and ensure the integrity and availability of their systems. Additionally, by not ensuring data is retained only as needed, Motor Vehicles increases the risk for unauthorized access to sensitive information.

Motor Vehicles is reviewing its risk management and contingency planning documentation as part of a current project to update its information security program. During this review, Motor Vehicles identified inconsistencies between the backup and restoration procedures and the BIA and is expecting to address these inconsistencies by the end of December 2016. The backup schedules and formal retention procedures are dependent on resolving the inconsistent documentation.

Motor Vehicles should continue its efforts to align its IT system backup schedules with the recovery requirements outlined in the BIA. Also, Motor Vehicles should improve its procedures to ensure system owners approve IT system backup schedules. Further, Motor Vehicles should implement a process to ensure data records and backup media are retained in accordance with requirements outlined in its records retention policy.

#### *Improve Logical Access Security Controls Significant Deficiency*

Motor Vehicles does not implement some required logical access security controls for a mission critical and sensitive system. The details of the sensitive system these control weaknesses affect has been communicated to management in a separate document marked FOIAE under Section 2.2-3705.2 of the Code of Virginia due to its sensitivity. The following deficient controls were identified.

- Motor Vehicles' record retention policy does not identify retention requirements specific for disabled accounts. The Security Standard, section AC-2-COV, requires agencies to retain unneeded disabled accounts in accordance with the agency's record retention policy.

- Motor Vehicles does not perform annual user access reviews for privileged system users. Motor Vehicles' access control policy requires that a user's continued need for access to all IT systems be reviewed on at least an annual basis.

By not identifying retention requirements for disabled accounts, Motor Vehicles cannot ensure disabled accounts are removed as necessary, providing a risk for the accounts to be enabled and accessed by an unauthorized user. Also, Motor Vehicles provides a higher risk for users to have unauthorized access to the sensitive system by not performing annual access reviews of privileged user accounts.

Motor Vehicles is reviewing its records retention policy as part of a current project to update its information security program. According to Motor Vehicles, this review will identify any missing records retention procedures to ensure better alignment with business processes and compliance with the Security Standard. Motor Vehicles estimates to complete this review in the spring of 2017. Additionally, the omission of privileged user accounts from Motor Vehicles' existing annual process to verify user accounts is preventing a comprehensive review of all accounts with access to the sensitive system.

Motor Vehicles should revise its record retention policy to ensure it includes requirements specific for disabled accounts. With this revision, Motor Vehicles should develop a process to ensure the removal of disabled accounts after the determined retention period. Finally, Motor Vehicles should ensure annual access reviews include privileged user accounts, such as system administrators and database administrators.

#### Why the APA Audits Small Purchase Card Activity

Motor Vehicles spent \$5.3 million during fiscal year 2016 on Small Purchase Charge Card (SPCC) transactions and has 82 cardholders. Fraudulent purchases are a risk for these cards, and strong controls help keep loss to the Commonwealth to a minimum. We have audited the documentation supporting SPCC transactions. Subsequently, our testwork resulted in the following recommendation to management.

#### *Improve Internal Controls over Small Purchase Charge Card Processing Deficiency*

Motor Vehicles does not have sufficient internal controls around SPCC transactions. Specifically, Motor Vehicles does not require users to retain supporting documentation for SPCC transactions and does not take corrective action when employees violate SPCC policies. We reviewed transactions that we identified as possible duplicate transactions and found that users did not retain receipt or invoice documentation for 15 fiscal year 2016 purchase transactions. This accounted for 44 percent of our sample. Further investigation of monthly reconciliations resulted in

28 percent of transactions reviewed not having proper documentation. In addition, two transactions were identified as being for one purchase but split into two payments to get around transaction limits set for the cardholder. There was no documentation of the card being temporarily revoked or of any counseling of this cardholder to prevent this practice in the future.

Commonwealth Accounting Policy and Procedures Manual Topic 20355, instructs that cardholders “Retain all documentation pertaining to the purchase, including receipts or packing slips. These should be kept, in conjunction with the purchasing log, for reconciliation to the monthly statement.” The Topic also states, “If replacement documentation (e.g., receipt) is needed, the vendor must be contacted within 60 days of the purchase.” In addition, Topic 20300 states that if a cardholder authorizes a charge in excess of the transaction limit by splitting the invoice the card should be revoked by the agency for a minimum of three months. Motor Vehicles’ Small Purchase Charge Card Policy, states that, among other items, the receipt and packaging slip should be retained for each purchase. For all of such transactions the agency should retain receipt, invoice, and any receiving/packaging documentation.

Without supporting documentation, Motor Vehicles cannot determine if purchases are reasonable and necessary. In addition, we were not able to confirm that these transactions were not duplicates that should have been disputed. Not requiring that supporting documentation be retained for all SPCC purchases increases the risk that purchase card fraud and abuse will go undetected. While evidence exists that monthly statements were reviewed by supervisors, lack of documentation was not followed up on or not addressed entirely.

Motor Vehicles should strengthen internal controls over SPCC activity. All cardholders must retain documentation to support their purchases. The SPCC Administrator should educate employees to ensure the Commonwealth’s and agency’s policies for SPCC purchases are followed and take appropriate corrective action as needed if procedures are not followed.

## Department of Transportation

### Why the APA Audits Information System Security

Transportation collects, manages, and stores significant volumes of project, transactional, and financial data within its mission critical systems. Because of the highly critical nature of this data, Transportation's management must take all necessary precautions to ensure the availability, integrity, and security of the data within its systems. We compared Transportation's practices to those required by the Commonwealth's Information Security Standard in the areas of database security, web application security, oversight of sensitive systems, and information system access. Our information system security testwork resulted in the following three recommendations to management.

#### *Improve Oracle Database Security Significant Deficiency*

Transportation operates one of its databases that stores financial activity without implementing some of the minimum information security controls in accordance with internal policy, the Security Standard, and industry best practices. We communicated seven areas of weakness to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls.

By not meeting some of the minimum requirements in the Security Standard and aligning the database's settings and configurations with best practices, Transportation cannot ensure data confidentiality, integrity, or availability.

Transportation should dedicate the necessary resources to address the risks present in the database as discussed in the separate document communicated to management. Also, management should review and approve all newly created policies and procedures relating to its database environment. Doing this will help maintain the confidentiality, integrity, and availability of Transportation data and meet the requirements in the Security Standard.

#### *Continue to Upgrade Unsupported Technology Repeat, Significant Deficiency*

Transportation has one remaining database management system that is utilizing end-of-life and unsupported software. Transportation has a remediation plan in place to upgrade the database to a supported version by the first quarter of 2017. Transportation must receive new hardware from the Partnership before completing the upgrade and has a work request in place to ensure this happens timely.

The Security Standard, Section SI-2-COV, requires that organizations prohibit the use of products designated as end-of-life or end-of-support by the vendor or publisher. By using end-of-

life or end-of-support technology, Transportation can no longer receive and apply security patches for known vulnerabilities, which increases the risk that a malicious attacker will exploit these vulnerabilities to facilitate a data breach. Additionally, vendors do not offer operational and technical support for end-of-life or end-of-support technology, which affects data availability by increasing the difficulty of restoring system functionality if a technical failure occurs.

Transportation has relied on legacy systems that utilize older technology, but has remediated all their end-of-life software versions except for the one remaining database. Transportation planned to remediate all end-of-life software by December 2016, but due to competing priorities and dependencies on the Partnership to procure hardware, the remediation will be complete in the beginning of 2017.

Transportation should continue to prioritize the upgrade and decommission of their last remaining end-of-life and end-of-support technology. Transportation should also implement mitigating controls and receive a security exception from the Virginia Information Technologies Agency to continue operating the unsupported database until a replacement is in production. This will reduce the risk relating to the confidentiality, integrity, and availability of sensitive Commonwealth data and achieve compliance with the Security Standard.

*Continue to Develop and Implement Formal IT Hardening Policies and Procedures  
Partial Repeat, Significant Deficiency*

Transportation continues to not have comprehensive hardening policies and procedures for its database environments that meet the requirements of the Commonwealth's IT Systems Security Guideline, SEC 515 (Security Guideline), Section 3. Since our previous review, Transportation did update its policy and procedure for server operating system hardening. However, Transportation's database hardening policy and procedure continues to lack the level of detail prescribed by the Security Guideline.

Transportation has sensitive systems that perform critical tasks for the citizens of the Commonwealth. By not having a formal hardening policy and procedure to apply baseline security configurations, Transportation increases the risk that these systems will not meet the minimum security requirements to protect data from malicious parties.

Transportation should document and formally approve a hardening policy and procedure for its database environments that meet the requirements in the Security Guideline. Subsequently, Transportation should also implement the security configurations in its database hardening policy and procedure to all databases. Establishing and implementing a hardening policy and procedure will better enable Transportation to standardize secure configuration settings across the agency's different technology platforms. This will reduce the risk relating to the confidentiality, integrity, and availability of the agency's sensitive data.



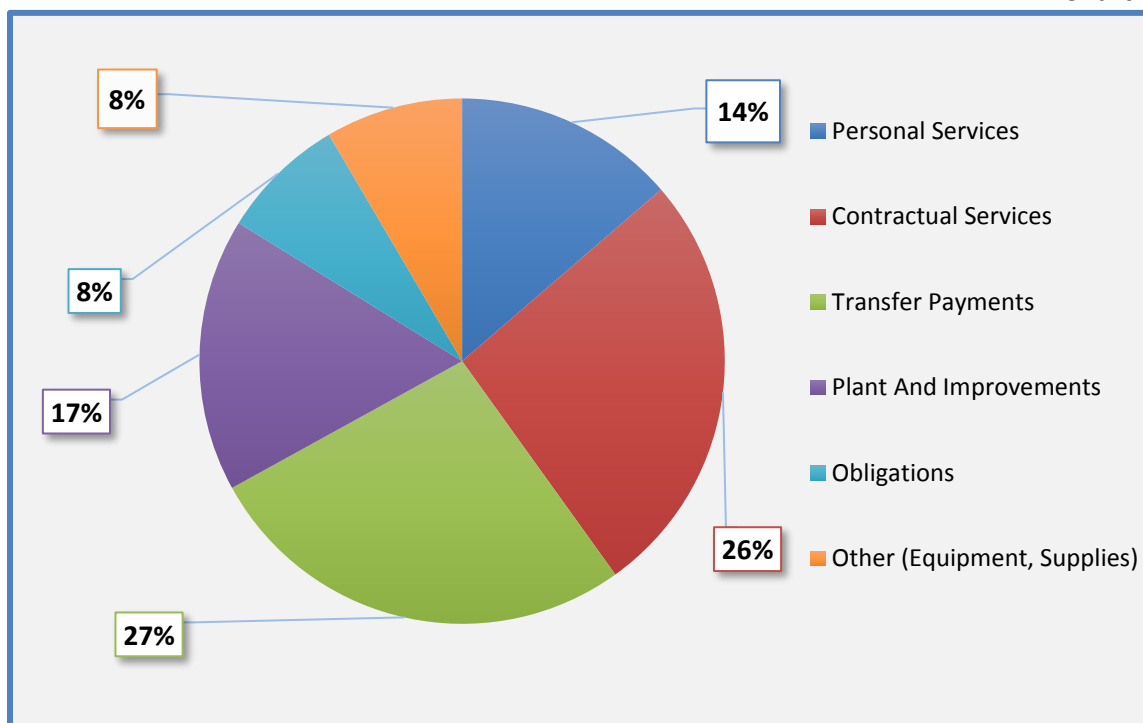
### Why the APA Audits the Procurement and Contracting

Transportation's mission is to plan, deliver, operate, and maintain a transportation system that is safe, enables easy movement of people and goods, enhances the economy, and improves our quality of life. To fulfil its mission, Transportation hires contractors to assist with the design, build, and maintenance of Virginia's road infrastructure. Transportation selects contractors through a competitive bidding process, administered by its procurement professionals. As the chart below shows, Transportation spends approximately 26 percent of its budget on contractual services.

To avoid potential conflicts of interests, the Code of Virginia requires all individuals, in a position of trust, to submit Statement of Economic Interest Disclosure Forms and complete related training. To determine if Transportation complies with the Code of Virginia, we compared Transportation's practices to those required by the Code of Virginia. Our testwork resulted in the following recommendation to management.

**Department of Transportation – 2016 Expenditures**

Chart 4



Source: Cardinal

*Continue to Strengthen Internal Controls Governing the Economic Interest Disclosure Process*  
*Repeat, Significant Deficiency*

Transportation is not correctly identifying employees in “positions of trust” and requiring them to file Statements of Economic Interest. This issue was reported in the prior year and Transportation has since made significant progress to address the issue. Using the Code of Virginia and Executive Order 33, Transportation’s Human Resources Division researched the agency’s positions to identify which would be subject to the disclosure process. Additionally, Human Resources worked collaboratively with the other Divisions in Transportation to revise its procedures governing the economic interest disclosure process. However, Transportation did not finalize or deploy these procedures during the period under review.

Section 2.2-3114 of the Code of Virginia outlines the principles by which state agencies identify employees who should disclose their economic interests and requires individuals in “positions of trust” to file economic interest forms annually. By not properly identifying individuals in positions of trust and having them disclose their economic interests, Transportation could fail to detect a potential conflict and prevent the willful misuse of public funds. Transportation did not finalize its policies during the period under review because of the amount of time needed to identify “positions of trust” and develop procedures to comply with the intent Code of Virginia and Executive Order 33.

Transportation should continue to strengthen its internal controls governing the economic interest disclosure process. Once it has finalized the process and deployed the procedures, Human Resources should ensure that individuals in “positions of trust” file economic interest forms annually. By doing such, Transportation will be able to more readily identify and prevent any potential conflicts in the decision making process.

**Why the APA Audits Payroll and Human Resources**

Transportation spends 14 percent of its budget, over \$700 million, on payroll and other personal service expenses. Due to the significance of this activity, we consider payroll and human resource controls to be critical. These controls ensure both the accuracy of payroll and compliance with state payroll requirements. We evaluated Transportation’s practices against their own policies as well as the requirements set by Department of Accounts and Department of Human Resource Management. Our testwork resulted in the following management recommendation.

*Retain Documentation Supporting Retirement Contribution Reconciliations*  
*Significant Deficiency*

Transportation is not maintaining documentation supporting its *myVRS* Navigator and Personnel Management Information System (PMIS) reconciliations. Transportation uses *myVRS* Navigator to maintain a record of its employee retirement contributions and PMIS to track personnel

related information. Further, the Virginia Retirement System uses the data within *myVRS Navigator* to estimate the Commonwealth's pension liability.

Topic 50410 of the Commonwealth's Accounting Policies and Procedures Manual requires agencies to maintain employee enrollment information and any supporting documentation for audit purposes. Further, the Topic requires that agencies retain supporting documentation for five years or until audited, whichever is later. Although Transportation performs weekly reconciliations between *myVRS Navigator* and PMIS, it does not retain a historical record of the reconciliations but instead overwrites previous reconciliations with the newest reconciliation. Without maintaining supporting documentation, Transportation cannot provide evidence that the employees' retirement information in *myVRS Navigator* is accurate and in agreement with Transportation's records.

Transportation should begin saving evidence of historical reconciliations. Additionally, Transportation should incorporate this policy into its existing procedures. By doing such, Transportation will be able to demonstrate that it performs reconciliations in a timely manner and properly addresses reconciling differences.



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Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

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December 15, 2016

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable Robert D. Orrock, Sr.  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Agencies of the Secretary of Transportation**, as defined in the Audit Scope and Methodology sections below, for the year ended June 30, 2016. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Audit Objectives**

Our audit's primary objective was to evaluate the accuracy of Agencies of the Secretary of Transportation's financial transactions as reported in the Comprehensive Annual Financial Report for the Commonwealth of Virginia for the year ended June 30, 2016, and test compliance for the Single Audit of federal funds. In support of this objective, we evaluated the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, Cardinal, each agency's accounting records, and in other information reported to the Department of Accounts; reviewed the adequacy of their internal control, tested for compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed corrective actions of audit findings from prior year reports.

## **Audit Scope and Methodology**

Management of the Agencies of the Secretary of Transportation has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts and grant agreements. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

**Department of Motor Vehicles**

- Accounts receivable and revenues
- Payroll and other expenses
- Financial reporting
- Information security and general system controls

**Department of Transportation**

- Accounts receivable and revenues
- Accounts payable and disbursements
- Capital asset management
- Cash and debt management
- Contract procurement and management
- Federal revenues, expenses and compliance for Highway Planning and Construction
- Financial Reporting
- Information security and general system controls
- Inventory
- Payroll and other expenses

The Department of Rail and Public Transportation, the Department of Aviation, Motor Vehicle Dealer Board, and Virginia Port Authority also fall under the control of the Secretary of Transportation; however, these agencies are not material to the Comprehensive Annual Financial Report for the Commonwealth of Virginia. Accordingly, these agencies were not included in the scope of this audit.

While it is not material to the Commonwealth's Comprehensive Annual Financial Report, the Department of Rail and Public Transportation did have a major program in cycle for the Commonwealth's Single Audit of federal funds. The results of the audit will be published in an agency report, which will also be available on APA's website in February 2017. Finally, the Virginia Port Authority was audited by other auditors and their report can be found at [www.apa.virginia.gov](http://www.apa.virginia.gov).

We performed audit tests to determine whether the agencies' controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the agencies' operations. We performed analytical procedures, including budgetary and trend analyses. We confirmed cash and investment balances with outside parties. We also tested details of transactions to achieve our objectives. Where applicable, we compared agency policies to best practices and Commonwealth standards.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

## **Conclusions**

We found that the Agencies of the Secretary of Transportation properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System, Cardinal, each agency's accounting records and in other information reported to the Department of Accounts for inclusion in the Comprehensive Annual Financial Report for the Commonwealth of Virginia. The agencies record their financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System or Cardinal.

Our consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as described in the section titled "Audit Findings and Recommendations," we identified a deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies in internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial information will not be prevented, or detected and corrected on a timely basis. We consider the deficiency entitled "Improve Controls over Financial Reporting" to be a material weakness for the Commonwealth.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We have explicitly identified 11 findings in the section titled "Audit Findings and Recommendations," as significant deficiencies for the Commonwealth.

In addition to the material weaknesses and significant deficiencies, we detected a deficiency in internal control that was not significant to the Commonwealth's Comprehensive Annual Financial Report or the Single Audit of federal funds, but is of sufficient importance to warrant the attention of those charged with governance. This deficiency is entitled "Improve Internal Controls over Small Purchase Charge Card Processing."

As the findings noted above have been identified as a material weakness or significant deficiencies for the Commonwealth, they will be reported as such in the "Independent Auditor's

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards,” included in the Commonwealth of Virginia Single Audit Report for the year ended 2016.

The Agencies have taken adequate corrective action with respect to audit findings reported in the prior year that are not referenced in this report as repeat or partial repeat.

#### **Exit Conference and Report Distribution**

We discussed this report with management on January 5, 2017, and January 12, 2017. Management’s response to the findings identified in our audit is included in the section titled “Agency Responses.” We did not audit management’s response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JDE/alh



## COMMONWEALTH of VIRGINIA

Department of Motor Vehicles  
2300 West Broad Street

**Richard D. Holcomb**  
Commissioner

Post Office Box 27412  
Richmond, VA 23269-0001

January 24, 2017

Ms. Martha S. Mavredes  
Auditor of Public Accounts  
Post Office Box 125  
Richmond, VA 23219

Dear Ms. Mavredes:

Thank you for this opportunity to respond to your latest audit of the Agencies of the Secretary of Transportation for the fiscal year ended June 30, 2016. We have received the guidance you have provided regarding our reporting and operations and we sincerely appreciate the professionalism of your staff. We have carefully reviewed your findings and offer the following responses.

### Improve Controls over Financial Reporting

It is noteworthy that this finding does not say that DMV erroneously collected, accounted for, or distributed any of the funds addressed here. It is only referring to the year-end CAFR reporting and disclosure of this revenue. DMV understands its responsibility to accurately prepare the CAFR reporting and believes that it did so according to the current guidance. Any misstatement identified by APA is not intentional on the part of DMV.

### **Payments in early fiscal 2017 and Contractual Commitments**

Cardinal required new fields for reporting and calculating due dates, payment terms and goods received date. As an interfacing agency, DMV remained responsible for sending the proper due date to Accounts. It was later determined that the due dates were not the only intended focus of the goods received date; the goods received dates were also to be used to determine payables versus non-payables at FY end. By no longer requiring the traditional Ns and Ps, vouchers were sent with proper due dates, but were not easily identified as a payable or non-payable. We believe our internal controls are accurate; however, our misunderstanding of the new Cardinal requirements should and will be corrected to accurately reflect proper goods received dates. There is always some level of confusion when implementing new systems.

Regarding the refund portion of the management point, DMV agrees that fuels tax refunds and other miscellaneous refunds may need to be coded as payables at year end. These will need to be examined on a case by case basis. Prior to Cardinal, refunds were processed in batches in CARS. Cardinal refunds are now processed as one time vendor payments; creating individual



records in Cardinal. Registration Refunds were historically coded as non-payables in CARS because the period being refunded is normally the six months remaining on a registration. DMV will discuss these refunds with Accounts to determine how they should be reported in the future. The commitment error that occurred with the one vendor is directly related to the payment issue discussed above and will be fixed as we work on the overall payable issue.

#### **Advance payment for motor vehicle license fees**

DMV provides strong internal controls and several levels of review in the preparation of our financial reports. DMV complied with the established FY 16 guidelines in preparing financial reports and correctly completed all of the required financial reports. There is no specific guidance included for this type of revenue. DMV's method for recording multi-year revenue has been ongoing since multi-year registrations were introduced in the early 1990's. Multi-year registrations have been a stable revenue stream for many years and are popular with our customers. This is the first time this concern has been cited since multi-year registrations began. DMV has had an initial discussion with Accounts to determine how other agencies and states are reporting similar fees. DMV will continue this discussion with Accounts to determine how these fees should be reported in the future, and how that should be reflected in the FY 17 guidance.

#### **Errors in capital assets**

Prior to these property acquisitions, DMV had only ever acquired commercial property. DMV mistakenly valued both properties acquired through state surplus as though they were commercially acquired. When the acquisitions occurred, we received no guidance from the Department of General Services (DGS) Real Estate Services about valuation, so the properties were valued as had always previously been done. Any future acquisitions will be evaluated to ensure proper valuation.

#### **Continue to Improve Database and Application Baseline Security Configurations**

The Department of Motor Vehicles (DMV) recognizes its obligation to develop and implement baseline security configurations for all mission critical and sensitive systems.

DMV has made significant progress in implementing the recommendation of security baseline hardening on 35 of its 36 databases with only 1 remaining. As part of this process the Department of Motor Vehicles has applied all hardening that is recommended by the Center for Internet Security with the intention of being practical and prudent; providing a clear security benefit; and not negatively impacting the utility of the technology.

The final application database group has had its development and tests instances hardened to an acceptable level and we are presently waiting feedback from our vendors test group before applying to the production instance later this month.

As part of our on-going effort we'll evaluate changes to the Center for Internet Security recommendations and consider their updates for inclusion into our hardened baseline configurations.

#### Continue to Improve IT Risk and Continuity Management Program

The Department of Motor Vehicles recognizes the need to consistently and properly manage all aspects of their IT Risk and Continuity Management Program in accordance with the Commonwealth's Information Security Standard, SEC 501-09.

DMV has established a project (Security Blitz) to address the agencies security controls and bring all general controls of the Commonwealth Security Standards into compliance. The project team makeup is a combination of security professionals from 2 separate consultant firms, internal security staff, and over a hundred business and IT staff members contributing to the effort. One of the first tasks was to perform a Business Impact Analysis (BIA) of all agency departments. The information obtained from the BIAs was used to adjust the agencies list of sensitive systems which required 23 new Risk Assessments to be performed. This information is now being evaluated by an Agency governance/oversight body for Information and Risk Management and will then be used to bring the Agency Continuity and Disaster Recovery plans into alignment.

#### Continue to Improve IT Software Maintenance and Management Controls

As noted during the audit the Department of Motor Vehicles has made significant progress in removing or upgrading end of support software. During the past year, 22 Windows XP workstations were replaced, 202 computers running outdated versions of Java were upgraded after dependent servers were upgraded and 95 servers running Windows 2003 were replaced after significant work to upgrade all application and middleware components.

While the remaining servers remain in production additional layers of security have been applied as a compensating control. As other higher priority vulnerabilities are remediated resources will be shifted to this effort where practical.

#### Improve Application Security Controls

The Department of Motor Vehicles understands the need for a comprehensive set of controls for ensuring proper authentication of our resources and is taking the steps to bring our current technical controls into alignment with Commonwealth security standards. To ensure a successful implementation of new controls the underlying infrastructure was first upgraded to include new servers, modern versions of the operating system, and latest versions of middleware and backend database components. This approach ensures a solid, secure, platform to build upon.

DMV is evaluating several options to address the authentication controls ranging from expanding on the capabilities of the existing application, augmentation of existing application,

or a complete replacement. This project is receiving the highest level attention within the Agency and resources will be committed once a practical, fiscally sound, solution is selected.

While DMV's desires to resolve this control deficiency as quickly as possible, depending on the solution selected and complexity of implementation the remediation could take anywhere from 7 to 18 months to complete.

#### Improve Data Backup and Restoration Procedures

As part of the Department of Motor Vehicles' (DMV) ongoing "Security Blitz" the business units expectations for Recovery Point and Recovery Time Objectives is being reviewed and approved by the Agency Security and Risk Management Council. The output from this executive leadership body, chaired by the DMV Chief of Information Security and Agency Risk Management, will be used to adjust backup schedules, update the Agency's Continuity Plan, and provide feedback to the business units for updating their respective elements of the Continuity Plan. In addition, the DMV policy will be updated to reflect the inclusion of the system backup process to ensure data is not maintained longer than approved retention periods.

#### Improve Logical Access Security Controls

The Department of Motor Vehicles (DMV) recognizes the need to perform routine account reviews to ensure our system access is based on a least privileged model and only authorized users are afforded access. Our current process includes the review of all accounts and privileges associated with 98 security groups within the system. During this year's audit it was discovered that the privilege administrator security group was not part of the review process. Since this security group was not visible to the staff performing the review it was easily overlooked.

#### Improve Internal Controls over Small Purchase Charge Card processing

DMV has strong internal controls over the Small Purchase Charge Card program, but we acknowledge that the controls need strengthening in certain areas. This finding focused primarily on invoices for general supply orders made by a former employee and hotel receipts collected from our Travel Coordinator as well as one instance of a split payment. We are confident that the strengthening of the controls coupled with an emphasis in future training focused on including all supporting documentation will address this at DMV.

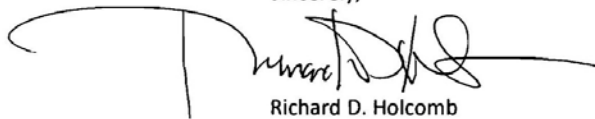
For the general supply orders, there was a lack of an invoice or zero-balance invoices to confirm what was purchased from a vendor. We believe the documentation for these transactions existed in the cardholder's email account and were not printed off at the time of reconciliation and included in the file. The former employee's emails are no longer available to verify this information. In the case of the hotel charges, there was a lack of documentation to support the validation of a duplicate charge or payment in your findings. The DMV Travel Coordinator is

responsible for making travel arrangements for employees statewide. It is the traveler's responsibility to turn in receipts for hotel stays to the Travel Coordinator when the stay is complete. The Travel Coordinator did not receive these receipts; however, DMV's practice had been to support these charges by Travel Request documentation at the time of the reservation. We realize that charges for non-refundable cancellations and no-shows must be identified accordingly and require back-up documentation to support these transactions. Having centralized travel coordination has saved DMV and the Commonwealth thousands of dollars. We will provide additional training to the Travel Coordinator and travelers. For the split payment, the cardholder was counseled by his supervisor and the Program Administrators were notified of the transaction split when it was discovered, however, there was a lack of documentation to show that this occurred.

The corrective action plans we are proposing in response to your findings have been provided to your staff. Accordingly, DMV is working diligently to remediate the issues identified in the audit. We look forward to working with you in the future.

Please let me know if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard D. Holcomb', is written over a large, stylized, handwritten letter 'T'.

Richard D. Holcomb





# COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION  
1401 EAST BROAD STREET  
RICHMOND, VIRGINIA 23219 2000

Charles A. Kilpatrick, P.E.  
Commissioner

January 27, 2017

Ms. Martha S. Mavredes  
Auditor of Public Accounts  
Post Office Box 1295  
Richmond, Virginia 23219

Dear Ms. Mavredes:

Thank you for the opportunity to comment on the Commonwealth Transportation Fund audit report for Fiscal Year 2016. With your help, the Virginia Department of Transportation has taken great strides over the past several years to improve and maintain its financial operations and controls, which your report has reflected. The Department has carefully reviewed the findings and developed corrective action plans to address the recommendations presented in the report. Our comments are summarized as follows:

## **Risk Alert**

### **Continue to Upgrade or Decommission End-of-Life Server Operating Systems**

The Department shares APA's concerns regarding the need to continuously modernize and maintain our server environments. Over the past two years, Transportation's Information Technology Division has reduced the number of servers running end-of-life operating systems from 353 servers to 25 servers remaining to be decommissioned. Required software (Enhanced Server Operating System Security) is in place for all of these servers and the existing Security Exception is being updated to reflect the current server listing. All servers have a remediation plan and status updates are tracked weekly within Information Technology Division. All replacement hardware is in place and plans call for user/business validations before migration and decommission of servers.

### **Improve Oracle Database Security**

The Department agrees with issues identified and is in the process of implementing changes to the Oracle settings identified as part of the audit. The changes have been implemented in the

non-production environment and are being evaluated for any application impacts. After the evaluation is completed, the changes will be implemented into the production environment along with updating related documentation (policies/procedures/configurations). New database documentation will be reviewed and formalized into the appropriate VDOT document repository.

#### **Continue to Upgrade Unsupported Technology**

The Department currently has an effort underway with the Partnership to upgrade the hardware, operating system, and Oracle version of the identified unsupported technology. The new infrastructure is expected to be delivered by the end of January 2017 by VITA and VDOT will need 90 days to configure/test the environment before migration. The migration is expected to take 30-60 days to allow the business to validate full functionality and deploy into production. VDOT will follow up with VITA Security to identify any necessary controls and exceptions that are required for this environment.

#### **Continue to Develop and Implement Formal IT Hardening Policies and Procedures**

The Department agrees with the APA on the importance of hardening servers supporting critical operations and is currently reviewing the database build standards the Partnership uses as a starting point for Oracle and SQL Server hardening standards. Once the review is completed and VDOT makes agency-specific updates, the new hardening standards will be documented and Information Technology Division will evaluate/adjust all Oracle and SQL Server databases to align with the hardening standards.

#### **Continue to Strengthen Internal Controls Governing the Economic Interest Disclosure Process**

The Department agrees that it is absolutely critical to have transparency and trust within state government operations. We continue to be committed to taking the recommended corrective actions to reevaluate positions within the agency designated to require a Statement of Economic Interest. On December 1<sup>st</sup>, we issued internal procedures that included the designation of additional positions in accordance with APA recommendations. All Department employees (existing and new) in designated positions have submitted the required Statement of Economic Interest for calendar year ending December 31, 2016. All submissions were made on time.

#### **Retain Documentation Supporting Retirement Contribution Reconciliations**

The Department recognizes the challenges encountered with reconciliation of three externally managed systems - the Commonwealth Integrated Personnel and Payroll System (CIPPS), the Personnel Management Information System (PMIS) and the Virginia Retirement System's (VRS) myVRS Navigator. We continue to experience a level of frustration in having to

Ms. Martha S. Mavredes  
January 27, 2017  
Page Three

manually reconcile multiple systems that are not under VDOT control and do not logically speak to one another for data integration and service delivery. The APA recommendation to save historical reconciliations rather than overwrite reconciliations was accepted and implemented within the Department in October of 2016. The related procedures were also updated at this time.

I thank you and your staff for the assistance and guidance provided during this review.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Kilpatrick', with a stylized flourish at the end.

Charles A. Kilpatrick, P.E.  
Commissioner

c: The Honorable Aubrey Layne  
Chief Deputy Commissioner  
Executive Staff

## AGENCY OFFICIALS

As of June, 2016

Aubrey L. Layne, Jr., Secretary of Transportation  
Grindly Johnson, Deputy Secretary of Transportation  
Nick Donohue, Deputy Secretary of Transportation

### Department of Motor Vehicles

Richard D. Holcomb, Commissioner

### Department of Transportation

Charles A. Kilpatrick, Commissioner

### Department of Rail and Public Transportation

Jennifer Mitchell, Executive Director

### Department of Aviation

Randall P. Burdette, Executive Director

### Motor Vehicle Dealer Board

William Childress, Executive Director

## COMMONWEALTH TRANSPORTATION BOARD

Aubrey L. Layne, Jr., Chairman  
Charles A. Kilpatrick, Vice-Chairman

Carlos M. Brown	John Malbon
Henry Connors, Jr.	John K. Matney
Alison DeTuncq	Jennifer Mitchell
James W. Dyke, Jr.	John F. Reinhart
William H. Fralin, Jr.	Court G. Rosen
Gary Garczynski	Shannon Valentine
E. Scott Kasprowicz	F. Dixon Whitworth, Jr.
Marty Williams	



APPENDIX A  
SUMMARY OF FINANCIAL INFORMATION – SOURCES AND USES

AGENCIES OF THE SECRETARY OF TRANSPORTATION  
SUMMARY OF FINANCIAL INFORMATION  
SOURCES AND USES  
Cash Basis, For Fiscal Year 2016

	Department of Aviation	Department of Motor Vehicles	Department of Rail and Public Transportation	Department of Transportation	Motor Vehicle Dealer Board	Total Agencies of the Secretary of Transportation
Sources:	2016	2016	2016	2016	2016	2016
CTF Sources (net of refunds):						
Taxes	\$ 32,603,397	\$ 10,973,172	\$ 324,265,152	\$ 3,092,044,603	\$ -	\$ 3,459,886,324
Fees, licenses and permits	531,189	189,084,027	3,161,428	346,955,181	-	539,731,825
Tolls	-	-	-	39,099,992	-	39,099,992
Fines and assessments	4,806	17,253,530	29,438	11,156,188	-	28,443,963
Interest, dividends and rents	161,656	145,718	1,814,702	17,250,991	-	19,373,067
Federal grants and contracts	-	-	83,291,051	1,129,860,937	-	1,213,151,988
Other miscellaneous revenues	807,922	1,470,020	448,902	49,119,925	-	51,846,769
Receipts from cities, counties and towns	-	-	1,721,786	137,814,601	-	139,536,387
Revenue bond proceeds	-	-	-	393,879,565	-	393,879,565
Total CTF sources	34,108,970	218,926,466	414,732,460	5,217,181,984	-	5,884,949,880
Non-CTF Sources (net of refunds):						
General fund appropriations	(47,133)	-	-	(68,141,060)	-	(68,188,193)
Federal grants	826,521	-	-	-	-	826,521
Taxes	-	83,990	-	-	252,531	336,521
Fees, licenses, permits, fines and assessments	56,505	1,202,422	-	-	2,756,701	4,015,629
Other miscellaneous	-	170,413	-	2,600,562	10,760	2,781,735
Total non-CTF sources	835,893	1,456,825	-	(65,540,498)	3,019,993	(60,227,788)
Total sources	34,944,862	220,383,291	414,732,460	5,151,641,485	3,019,993	5,824,722,092
Net transfers in/(out)	(228,998)	1,223,783	109,056,995	(168,847,429)	(6,448)	(58,802,098)
Total sources	\$ 34,715,864	\$ 221,607,074	\$ 523,789,456	\$ 4,982,794,056	\$ 3,013,545	\$ 5,765,919,995
Uses:						
Expenses (net of refunds):						
Administrative and support services	\$ 2,375,040	\$ 64,575,646	\$ 9,122,053	\$ 246,879,938	\$ -	\$ 322,952,677
Air transportation programs	5,946,942	-	-	-	-	5,946,942
Capital Outlay projects	-	3,158,979	-	23,766,830	-	26,925,809
Environmental monitoring and evaluation	-	-	-	10,983,117	-	10,983,117
Economic development activities	-	-	-	-	-	-
Financial assistance to localities	32,028,925	-	-	913,512,948	-	945,541,873
Ground transportation regulation	-	166,740,270	-	-	-	166,740,270
Ground transportation planning	-	-	4,588,737	61,669,662	-	66,258,398
Ground transportation safety	-	6,016,660	-	-	-	6,016,660
Highway acquisition and construction	-	-	-	1,936,709,311	-	1,936,709,311
Highway maintenance	-	-	-	1,748,232,095	-	1,748,232,095
Mass transit assistance	-	-	369,410,475	-	-	369,410,475
Debt service, principal and interest	-	-	-	321,646,497	-	321,646,497
Rail assistance	-	-	125,870,821	-	-	125,870,821
Regulation of professions and occupations	-	-	-	-	2,445,593	2,445,593
Toll facility operations	-	-	-	47,146,109	-	47,146,109
Total uses	\$ 40,350,907	\$ 240,491,555	\$ 508,992,085	\$ 5,310,546,507	\$ 2,445,593	\$ 6,102,826,647

Source: Commonwealth Accounting and Reporting System